

BEFORE THE STATE AUDITOR AND COMMISSIONER OF INSURANCE
STATE OF MONTANA

IN THE MATTER OF:

Case No. 2006-1

AMERICAN EVANGELISTIC ASSOCIATION
and its division CHRISTIAN CARE
MINISTRY, d.b.a. MEDI-SHARE;
AMERICAN EVANGELISTIC ASSOCIATION
INTERNATIONAL, INC., a.k.a CHRISTIAN
CARE MINISTRY, INC., EDWARD
JOHN REINHOLD a.k.a E. JOHN REINHOLD,
ROBERT BALDWIN, and/or their agents,
representatives and assignees,

ORDER TO POST BOND,
TEMPORARY CEASE AND
DESIST ORDER AND
OPPORTUNITY FOR
HEARING

Respondents.

The Montana Commissioner of Insurance, pursuant to the authority of the Montana Insurance Code, Mont. Code Ann. § 33-1-101, *et seq.*, hereby issues the following factual assertions, conclusions of law, order to post bond, order to cease and desist, and notice of right to a hearing:

ASSERTION OF FACTS

1. At all times relevant hereto, Respondents American Evangelistic Association, Christian Care Ministry d.b.a Medi-Share, American Evangelistic Association International Inc., Christian Care Ministry, Inc. or CCM, Inc., Edward John Reinhold a.k.a E. John Reinhold, Robert Baldwin and/or their agents, representatives and assignees (Respondents) have engaged in

1 the solicitation of individuals in Montana to enter into a "membership program" (insurance
2 contract) for the purpose of reimbursing "members'" (policyholder's) medical expenses.

3 2. Respondent American Evangelistic Association is an unincorporated association.
4 Respondents American Evangelistic Association Inc., and Christian Care Ministry Inc. are
5 affiliated entities formed by the said unincorporated association. Respondents, d/b/a Christian
6 Care Medi-Share, have engaged in the unauthorized transaction of insurance business in
7 Montana. Respondent Edward John Reinhold a.k.a E. John Reinhold is the Chairman, CEO and
8 creator of American Evangelistic Association and Medi-Share. Respondent Robert Baldwin is
9 the current President of Medi-Share.

10 3. Respondents maintain an offshore trust in the British Virgin Islands purportedly for
11 the benefit of policyholders. The offshore trust was previously located in the Bahamas.

12 4. Respondents' primary business location is in Melbourne, Florida. Respondents' web
13 site, <http://medi-share.org>, lists an address for Medi-Share at 505 N. John Rodes Blvd, .
14 Melbourne, Florida. Medi-Share previously listed 3507 Carriage Drive, Post Office Box 120099,
15 West Melbourne, Florida as its business address. Respondent E. John Reinhold lives or lived at
16 4047 Snowy Egret Drive, Melbourne, Florida, and lists a business address at 3507 Carriage Gate
17 Drive, West Melbourne, Florida 32904. Robert Y. Baldwin, President of Christian Care
18 Ministry, lists his business address as P.O. Box 120099, West Melbourne, Florida.

19 5. At all times relevant hereto, Respondents required Montana policyholders to make
20 applications and disclose medical histories. Pursuant to the contract, the policyholders are
21 required to pay a "Monthly Share Cost" (premium). Pursuant to the insurance contract,
22 Respondents assumed the responsibility for expenses up to \$1,000,000.00 after policyholder
23 payment of an "Initial Member Responsibility"(deductible). Further, Respondents maintain in
24 their promotional materials that "all eligible needs have been met" and market the Medi-Share
25 product as a safe and reliable alternative to insurance. Respondents require policyholders to sign
26 arbitration agreements in their contract with consumers.

1 6. Respondents offer, by way of example, a "250 Program" wherein a member over 40
2 years old with three or more persons in their family would pay to Respondents \$404.00 per
3 month. The "Member" (policyholder) then has an "Initial Member Responsibility" (deductible)
4 of \$250.00 per incident. Respondents are then responsible for expenses of up to \$1,000,000.00
5 per incident. (Exhibit 1).

6 7. Respondents are not licenced as an insurer in the State of Montana and maintain that
7 because they do not guarantee that any claims will be paid that they are not an insurance
8 company but a "biblical alternative to insurance" and therefore not subject to state and federal
9 regulations and taxation.

10 8. Respondents encourage their members to provide referrals and offer a rebate,
11 inducement or reward of \$100.00 to members who refer the product to others.

12 9. Respondents have violated Title 33-1-101 *et seq.* in that they, *inter alia*, do not timely
13 pay claims in a manner comporting with Montana law or provide for mandatory minimum
14 coverages.

15 10. On or about October 23, 2003, Pastor Michael Rowden (Rowden) of Flathead
16 County, Montana, applied for healthcare coverage under Respondents' "250 Program." On or
17 about December 3, 2003, he was accepted. Rowden was required by Respondents to sign an
18 arbitration agreement.

19 11. On or about June 28, 2004, Rowden contracted a systemic infection resulting in
20 endocarditis (a heart infection) and damage to his aortic heart valve. This injury required
21 Rowden to have open-heart surgery and an aortic valve replacement on November 8, 2004, as
22 well as other related medical treatment.

23 12. Rowden tendered his heart condition medical bills to Respondents for payment and
24 Respondents denied payment for Rowden's medical bills claiming that Rowden's heart condition
25 was a pre-existing condition.
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1 13. On or about February 20, 2006, Rowden filed an action against Respondents in the
2 First Judicial District Court in Cause No. BDV-2006-109 and joined the State Auditor as a
3 necessary party.

4 14. On May 19, 2006, Respondents reversed their declination of coverage and paid
5 Rowden's heart related medical bills.

6 15. On January 1, 2007, following partial summary judgment motions presented by the
7 parties in district court, the court ruled that the Medi-Share product was insurance, and that
8 Respondents were transacting unauthorized insurance business in Montana. (Exhibit 2).

9 16. The district court also ordered Respondents to apply for a certificate of authority with
10 the Department of Insurance within thirty days of its January 1, 2007 order. (Exhibit 2).

11 17. On January 25, 2007, the district court ruled that Rowden's benign heart murmur in
12 the distant past could not be considered a pre-existing condition for insurance purposes under
13 Montana law and that Rowden's heart valve replacement was not related to that condition, but
14 was cause by the infection he acquired in June 2004, after his acceptance into the Medi-Share
15 insurance program.

16 18. Respondents refused to apply for a certificate of authority and to disclose the
17 identities of Montana consumers who had purchased the Medi-Share product when requested by
18 the Department of Insurance. Respondents have knowingly continued to transact the business of
19 insurance in Montana after the district court determined that they were unauthorized insurers.

20 19. Terry Orndorff, a financial examiner assisting the State Auditor, reviewed
21 Respondents' financial statements and determined that Respondents do not maintain claims
22 reserves, are paying claims out of cash flow, and are significantly undercapitalized for the
23 amount of business that they are writing in violation of Title 33-1-101, *et seq.*, and Section 33-2-
24 1201, M.C.A. Thus, Respondents' conduct is injurious to Montana consumers and the insurance
25 buying public. (Exhibit 3).

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CONCLUSIONS OF LAW

2 1. The State Auditor is the Commissioner of Insurance. Mont. Code Ann. § 2-15-
3 1903.

4 2. The Montana Insurance Department is under the control and supervision of the
5 Commissioner. Mont. Code Ann. §§ 2-15-1902 and 33-1-301.

6 3. The Commissioner and Insurance Department have jurisdiction over this matter.
7 Mont. Code Ann. § 33-1-311.

8 4. The Commissioner shall administer the Insurance Department to protect insurance
9 consumers. Mont. Code Ann. § 33-1-311(3).

10 5. Pursuant to Mont. Code Ann. § 33-1-102(1), a person or entity may not transact
11 a business of insurance in Montana or a business relative to a subject resident, located, or to be
12 performed in Montana without complying with the Montana Insurance Code, Mont. Code Ann. §
13 33-1-101, *et seq.*

14 6. Pursuant to Mont. Code Ann. § 33-1-201(5), insurance is defined as a contract
15 whereby one undertakes to indemnify another or pay or provide a specified or determinable
16 amount or benefit upon determinable contingencies.

17 7. Pursuant to Mont. Code Ann. § 33-1-201(6), an insurer includes every person or
18 entity engaged as an indemnitor, surety, or contractor in the business of entering into contracts of
19 insurance.

20 8. No person or entity shall act as an insurer and/or transact insurance in Montana
21 except as authorized by a certificate of authority issued by the Commissioner. Mont. Code Ann.
22 § 33-2-101.

23 9. The Medi-Share products sold by Respondents constitute insurance in that the
24 products indemnify participants/members or pay a specified or determinable amount or benefit
25 upon determinable contingencies. Mont. Code Ann. §§ 33-1-201(5). Additionally, Respondents
26 are acting as insurers by engaging in these programs. Mont. Code Ann. § 33-1-201(6).

10. By soliciting and/or selling insurance in Montana without a certificate of authority, the Respondents are in violation of Mont. Code Ann. § 33-2-101.

11. By representing or aiding an unauthorized insurer, Respondents are in violation of Mont. Code Ann. § 33-2-104(3).

11. The alleged violations are sufficient to authorize the Commissioner to order the Respondents to cease and desist from engaging in activities of the kind herein alleged. Mont. Code Ann. § 33-1-318.

12. The alleged conduct is fraudulent or hazardous and creates an immediate danger to the public or is causing or can be reasonably expected to cause significant, imminent and irreparable public injury.

ORDER TO POST CASH BOND

It is ordered that Respondents shall, pursuant to Mont. Code Ann. §§ 33-1-311, 33-2-109, 33-2-111, post with the Montana Department of Insurance a cash bond, or other security approved by the Commissioner, in the initial amount of \$1,500,000.00 for the benefit of Montana enrollees within 15 days of the date of this order. The bond shall be held as security for the payment of the claims of Montana citizens.

TEMPORARY ORDER TO CEASE AND DESIST

Pursuant to Mont. Code Ann. § 33-1-318, it appears to the Commissioner that the Respondents have engaged or are about to engage in an act or practice constituting one or more violations of the Montana Insurance Code, Title 33, Chapter 2, and therefore hereby orders Respondents to cease and desist from engaging in any act, practice or course of conduct that operates or would tend to operate as an insurer without a certificate of authority from the Commissioner in violation of Mont. Code Ann. §33-2-101.

Pursuant to Mont. Code. Ann. § 33-1-201, Respondents are hereby ordered to cease and desist the unauthorized transaction of insurance including (a) solicitation and inducement; (b) preliminary negotiation; (c) effectuation of a contract of insurance; and (d) transaction of matters subsequent to effectuation of the contract of insurance and arising out of it, except that

1 Respondents shall continue to remain responsible for any and all claims made by Montana
2 citizens. Further, Respondents shall not henceforth accept from Montana citizens any monies in
3 the form of premiums by whatever name called.

4 Respondents are ordered to refrain from doing or proposing to do any insurance business
5 in substance equivalent to any of the foregoing in a manner designed to evade the provisions of
6 the statutes or other laws of this state.

7 IT IS FURTHER ORDERED that Respondents shall, upon notification submit to any
8 examination if required by the Insurance Commissioner, and without further notification issue
9 certificates of creditable coverage to Montana enrollees. Additionally, Respondents shall begin
10 market withdrawal pursuant to Mont.Code.Ann. §33-22-247.

11 IT IS FURTHER ORDERED that this Order is effective immediately and shall continue
12 in full force and effect until further order of the Insurance Commissioner. This Order is binding
13 on Respondents, their agents, affiliates, employees and/or other representatives, both current and
14 successor, whether named or unnamed herein.

15 IT IS FURTHER ORDERED that Respondents shall leave all records undisturbed in their
16 offices until such time as an appropriate examination of such records can be completed by
17 representatives of the department or other examiners appointed by or cooperating with the
18 Commissioner.

19 PENALTIES

20 Pursuant to Mont. Code Ann. § 33-1-318(3), the Commissioner may impose a fine not to
21 exceed \$5,000.00 per each violation of the Montana Insurance Code or any rule or Order issued
22 thereunder, in addition to other fines or penalties.

23 NOTICE OF RIGHT TO HEARING

24 You are entitled to a hearing and to respond to this temporary Cease and Desist Order and
25 to present evidence and arguments on all issues involved in this case. If you wish to contest the
26 allegations herein, you must make a written request for a hearing within fifteen (15) days of
27 receipt of this Order to Michael Winsor, Legal Counsel, State Auditor's Office, 840 Helena Ave.,
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1 Helena, MT 59601. The hearing shall then be held within twenty (20) days of the
2 Commissioner's receipt of the hearing request, unless the time is extended by agreement of the
3 parties or by order of the hearing examiner. If you do not request a hearing and the
4 Commissioner orders none, this Order shall become permanent, and the above fact assertions
5 will be declared the findings of fact and the above conclusions of law will be declared the
6 conclusions of law.

7 Should you request a hearing, you have the right to be accompanied, represented and
8 advised by an attorney. If the attorney you choose has not been admitted to the practice of law
9 in the State of Montana, he or she must comply with the requirements of Application of
10 American Smelting and Refining, Co., 164 Mont. 139, 520 P.2d 103 (1973). If you request a
11 hearing, you will be given notice of the date, time, and place of the hearing.

12 DATED this 18 day of April, 2007.

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14 JOHN MORRISON
15 STATE AUDITOR AND COMMISSIONER OF INSURANCE

16 By: Carol Roy
17 CAROL ROY
18 Acting Deputy Commissioner of Insurance
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CERTIFICATE OF SERVICE

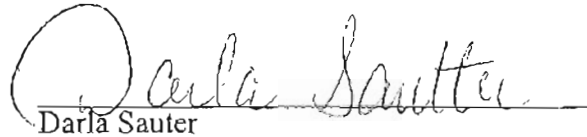
I certify that this 13 day of April 2007, a true and correct copy of the foregoing Order to Post Bond, Temporary Cease and Desist Order and Opportunity for Hearing was served on the following by certified mail with postage prepaid and return receipt requested.

American Evangelistic Association
505 N. John Rodes Blvd.
Melbourne, FL 32934

E. John Reinhold
Chairman and CEO
3507 Carriage Gate Drive
West Melbourne, FL 32904

Robert Baldwin
President, Christian Care Ministry
P O Box 120099
West Melbourne, FL 32912-0099

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The Milwaukee Station, Third Floor
P. O. Box 2103
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Darla Sauter